

Background on CME Group ClearPort Model

**Meeting w/ CFTC Staff
October 26, 2010**

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Background

- The OTC energy market was looking for a clearing solution post-Enron.
- Under the CEA (pre Dodd-Frank), dealers could have submitted trades directly to a DCO without affecting the validity of the transactions.
- However, pursuant to Section 2(g)/2(h) of the CEA (pre Dodd-Frank) market participants negotiated transactions off the DCM and then, pursuant to DCM rules, entered into futures contracts on the DCM that were submitted to CME Clearing.
- In many ways, the ClearPort solution is the poster-child for the policy rationale behind Dodd-Frank – reducing systemic risk by requiring derivatives transactions to be submitted to a regulated clearing platform.
- NYMEX has successfully offered the ClearPort solution for over 8 years.
- There are in excess of 33 million contracts of open interest (a/o 10/22/10) in the Clearport Energy Complex (does not include any core products such as CL, NG, HO & RB)

Continue Operating With Enhancements

- **DCM rules will govern the negotiation and execution of the transaction.**
- **DCM rules also will require contemporaneous public price reporting for most transactions.**
- **Trades will be conducted on the DCM via either Globex or an alternative technology solution.**
- **These enhancements provide additional pre-trade and post-trade transparency.**